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DEPARTMENT FOR SCA/CEN (J. MUDGE)

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [PARM](#) [PREL](#) [KZ](#)
SUBJECT: KAZAKHSTAN: AMBASSADOR MEETS WITH MINISTRY OF
FINANCE OFFICIALS

Ref: A) Almaty 1403 (Tokayev), B) Almaty 1402 (Masimov), C)

4/17/06 Mustin-Mennuti email

¶1. (SBU) Summary: Ministry of Finance officials committed to work with the Embassy to resolve the AIG dispute and conclude a Second Line of Defense (SLD) agreement before the upcoming VIP visit to Astana. They also expressed willingness to help resolve tax and customs issues related to assistance. End summary.

AIG Settlement

¶2. (SBU) In an April 18 meeting with Minister of Finance Natalya Korzhova, Deputy Minister Askar Yelemessov, and Deputy Minister Alikhan Smailov, the Ambassador received assurances that the Kazakhstani government would honor its obligation to pay the arbitration award due to AIG. Yelemessov emphasized that the question was not whether the payment would be made, but simply when and by which ministry. Korzhova, who arrived late in the meeting, underscored the commitment. She said that she had just come from a governmental meeting where the issue had been discussed. Following the Ambassador's earlier meetings with FM Tokayev and Deputy PM Masimov (Refs A and B), both had called Minister of Justice Baliyeva to instruct her to conclude the matter. Korzhova explained that once Baliyeva signed the settlement agreement with AIG, Finance would promptly make the payment. (Note: In a meeting later that evening, Baliyeva informed the Ambassador that she had signed the necessary documents. Details septel.)

Second Line of Defense

¶3. (SBU) The Ambassador explained that the U.S. hoped to sign the Second Line of Defense (SLD) implementing arrangement with Kazakhstan either before or on the margins of the upcoming VIP visit. Acknowledging that the KNB objected to language related to the sharing of information with DOE, the Ambassador handed over Ref C alternate language. Smailov welcomed the proposal and promised to seek the KNB's agreement. Korzhova later stated that the GOK was working to complete the SLD agreement as soon as possible.

Assistance Issues

¶4. (SBU) The Ambassador raised recent tax/customs problems related to assistance. He informed the Finance Ministry officials that Customs, which reports to Finance, was refusing to clear the SAFEBOATS being provided to the Border Guard by EXBS using FSA funds. Yelemessov said he would look into the situation, noting that if a bilateral agreement specifies the assistance should be tax exempt, the matter should be straightforward. (Note: Customs issued an exemption later that day.)

¶5. (SBU) The Ambassador also mentioned that DTRA was having difficulty obtaining VAT exemptions for work done under the Biological Weapons Proliferation Prevention (BWPP) program, despite the fact that the CTR Umbrella Agreement specified that all such assistance was exempt. He said that we were still working the issue at the technical level, but might have to turn to Finance for assistance in the future. Yelemessov asked for copies of Tax Committee correspondence on the matter.

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